

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PacifiCorp
(U-901-E) for Exemption from the Requirements
of California Public Utilities Code Section 454.5.

Application 03-04-011
(Filed April 9, 2003)

**DECISION GRANTING AN EXEMPTION FROM
PUBLIC UTILITIES CODE SECTION 454.5 AND AUTHORIZING FILING FOR
EXEMPTION BY ADVICE LETTER****Summary**

This decision grants the request of PacifiCorp to be exempted from Pub. Util. Code Section (Section) 454.5,¹ pursuant to Section 454.5(i). In addition, it authorizes eligible utilities to file such requests by advice letter.

Section 454.5

Section 454.5 requires the Commission to allocate electricity provided by the Department of Water Resources (DWR) under its power purchase agreements to the customers of each electrical corporation. Each electrical corporation is required to file a proposed procurement plan after the Commission specifies the allocation of electricity. The proposed plan must specify the date the corporation intends to resume procurement of electricity for its retail customers. The Commission is to allow the corporation to resume procurement after a procurement plan is adopted.

¹ Unless otherwise specified, all statutory references are to the Public Utilities Codes.

Section 454.5 specifies that the plan shall include, but is not limited to all of the following:

- An assessment if the price risk associated with the corporation's portfolio for obtaining power.
- The duration of the plan;
- The timing and quantities to be procured;
- A competitive procurement process;
- An incentive mechanism;
- The standards and criteria for rate recovery;
- The procedures for updating the procurement plan;
- A showing that the procurement plan will meet specified goals, including renewable resources;
- A risk management policy, strategy, and practices;
- A plan to achieve increases in diversity of ownership and fuel supply, and,
- A mechanism for recovery of administrative costs related to procurement.

Section 454.5(c) requires the Commission to ensure that the procurement plans will not impair the corporation's efforts to restore its creditworthiness.

Section 454.5(i) provides that an electrical corporation that serves less than 500,000 customers in California may file a request for exemption from Section 454.5. The request may be granted upon a showing of good cause.

Discussion

PacifiCorp serves approximately 42,000 customers in California. Therefore, it is qualified to request an exemption under Section 454.5 (i).

Section 454.5 is designed to bring major California electrical corporations back to creditworthiness, and to set up requirements that are necessary in order to authorize them to resume power procurement. PacifiCorp has maintained

investment grade ratings of its securities since 1996. Also, PacifiCorp was not required by Assembly Bill 1890 to sell all of its power output to the California Power Exchange (PX), and to obtain its load requirements from the PX. It met its load through its own generation and power contracts. In addition, while the three major electrical corporations in California divested significant portions of their generation assets, PacifiCorp did not.

PacifiCorp did not utilize DWR to procure power for its retail sales. In addition, no Commission decision addressing DWR revenue requirements, rates to recover DWR revenue requirements, or allocation of DWR contracts has been applicable to PacifiCorp's retail operations.

Regarding renewable generation resources, PacifiCorp has 155 megawatts of wind, geothermal and biomass generation. Combined with its 1,100 megawatts of hydroelectric resources, this amounts to 15.9% of its total system load. PacifiCorp's Integrated Resource plan, filed in Oregon, Washington, Utah, Idaho, and Wyoming, includes the addition of 1,420 megawatts of renewable resources to its system by 2014.

PacifiCorp's rates are among the lowest of any regulated utility in the State.

Based on the facts recited above, the filing of a resource plan is not necessary to restore PacifiCorp's creditworthiness, resume procurement, encourage diversification of its resource portfolio, or provide low retail rates. Therefore, good cause having been shown, we will grant PacifiCorp's request. In order to preclude the necessity of filing a resource plan, approval of the application should be made effective immediately.

Filing Requests by Advice Letter

As discussed above, Section 454.5(i) allows utilities to seek an exemption. We believe that it would administratively more efficient to allow such requests to be handled through the advice letter process. Therefore, we will allow eligible utilities to request an exemption by filing an advice letter. In order to make potentially interested parties aware of the filing, we will require the utilities to serve the advice letter on the parties to Rulemaking 01-10-024, which addresses electric generation procurement and renewable resource development.

Categorization and Need for Hearings

In Resolution ALJ 176-3111, dated April 17, 2003, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protests have been received. Therefore, a public hearing is not necessary, and it is not necessary to alter the preliminary determinations.

Comments on Draft Decision

This is an uncontested matter in which the decision grants the requested relief. Therefore, pursuant to Section 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

Assignment of Proceeding

Susan P. Kennedy is the Assigned Commissioner, and Jeffrey P. O'Donnell is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. PacifiCorp serves approximately 42,000 customers in California.
2. Section 454.5 is designed to bring major California electrical corporations back to creditworthiness, and to set up requirements that are necessary in order to authorize them to resume power procurement.

3. PacifiCorp has maintained investment grade ratings of its securities since 1996.

4. PacifiCorp was not required by Assembly Bill 1890 to sell all of its power output to the PX, and to obtain its load requirements from the PX.

5. PacifiCorp met its load through its owned generation, and power contracts.

6. PacifiCorp did not divest significant portions of its generation assets.

7. PacifiCorp did not utilize DWR to procure power for its retail sales.

8. No Commission decision addressing DWR revenue requirements, rates to recover DWR revenue requirements, or allocation of DWR contracts has been applicable to PacifiCorp's retail operations.

9. PacifiCorp has 155 megawatts of wind, geothermal and biomass generation, and 1,100 megawatts of hydroelectric resources, which constitute 15.9% of its total system load.

10. PacifiCorp's Integrated Resource plan, filed in Oregon, Washington, Utah, Idaho, and Wyoming, includes the addition of 1,420 megawatts of renewable resources to its system by 2014.

11. PacifiCorp's rates are among the lowest of any regulated utility in the State.

12. Notice of this application appeared in the Commission's Daily Calendar on April 11, 2003.

13. There were no protests to this application.

14. No hearings are necessary.

15. It would be administratively more efficient to allow eligible utilities to request exemption from Section 454.5 by filing an advice letter.

Conclusions of Law

1. PacifiCorp is qualified to request an exemption from Section 454.5.
2. The filing of a resource plan is not necessary to restore PacifiCorp's creditworthiness, resume procurement, encourage diversification of its resource portfolio, or provide low retail rates.
3. Good cause having been shown, PacifiCorp should be granted an exemption from Section 454.5.
4. In order to preclude the necessity of filing a resource plan, approval of the application should be made effective immediately.
5. Eligible utilities should be authorized to request an exemption from Section 454.5 by filing an advice letter.

O R D E R

IT IS ORDERED that:

1. Pursuant to Public Utilities Code Section (Section) 454.5(i), PacifiCorp is granted an exemption from the resource plan filing requirements of Section 454.5.
2. Electric utilities that serve less than 500,000 customers in California are authorized to request an exemption from Section 454.5 by filing an advice letter. The advice letter shall include a complete explanation of why the exemption should be granted, and shall be served on all parties to Rulemaking 01-10-024.

3. This application is closed.

This order is effective today.

Dated _____, at San Francisco, California.